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PULSAR*

Buy Now Pay Later – SEA Region

Understanding news and social perspective, audience conversations, narratives and leading brands

Buy Now, Pay Later:
A lifeline or liability?

Living in a post-pandemic world, spending habits of audiences across the globe have shifted. The buy now pay later trend slowly consumed the world, but Southeast Asia as a region presented a different growth story. The common misconception is that all regions within this part of the continent behave homogenously. Through our insights, we uncover how culture, financial literacy, and government regulations play a huge role in audiences accepting BNPL modes of payment for purchases daily.

As the SEA region is made up of emerging nations where access to conventional credit is harder, particularly for the youth and those in rural areas, this alternative finance model proves enticing. Impulsive purchasing behavior coupled with access to mobile phones at the grassroot level, results in no barrier to entry in terms of accessibility.

Considering a largely unbanked and underserved population where credit card penetration is low, accompanied by improper financial education, can result in predatory inclusion. This has led to a massive call for regulation with codes of conduct and acts passed in the more developed regions like Singapore and Malaysia.

As the BNPL industry becomes more coordinated, the media and communications industry must test the waters and note how the conversation is evolving in the region, especially with young people falling into the illusion of affordability for commodities or brands taking advantage of a large but naïve population.

Approach

Data Collection Period:

June 2023 – June 2024

Channels:

- Online News
- Television
- Radio
- Podcasts
- Facebook
- TikTok
- Pinterest
- Twitch
- Threads
- X
- Reddit
- YouTube
- Blogs
- Forums
- Amazon Reviews
- Tumblr
- Google Search
- Reviews

Markets/Languages:

Singapore, Malaysia, Thailand, Vietnam, Indonesia, the Philippines, Cambodia, Laos
Analysis in English-language

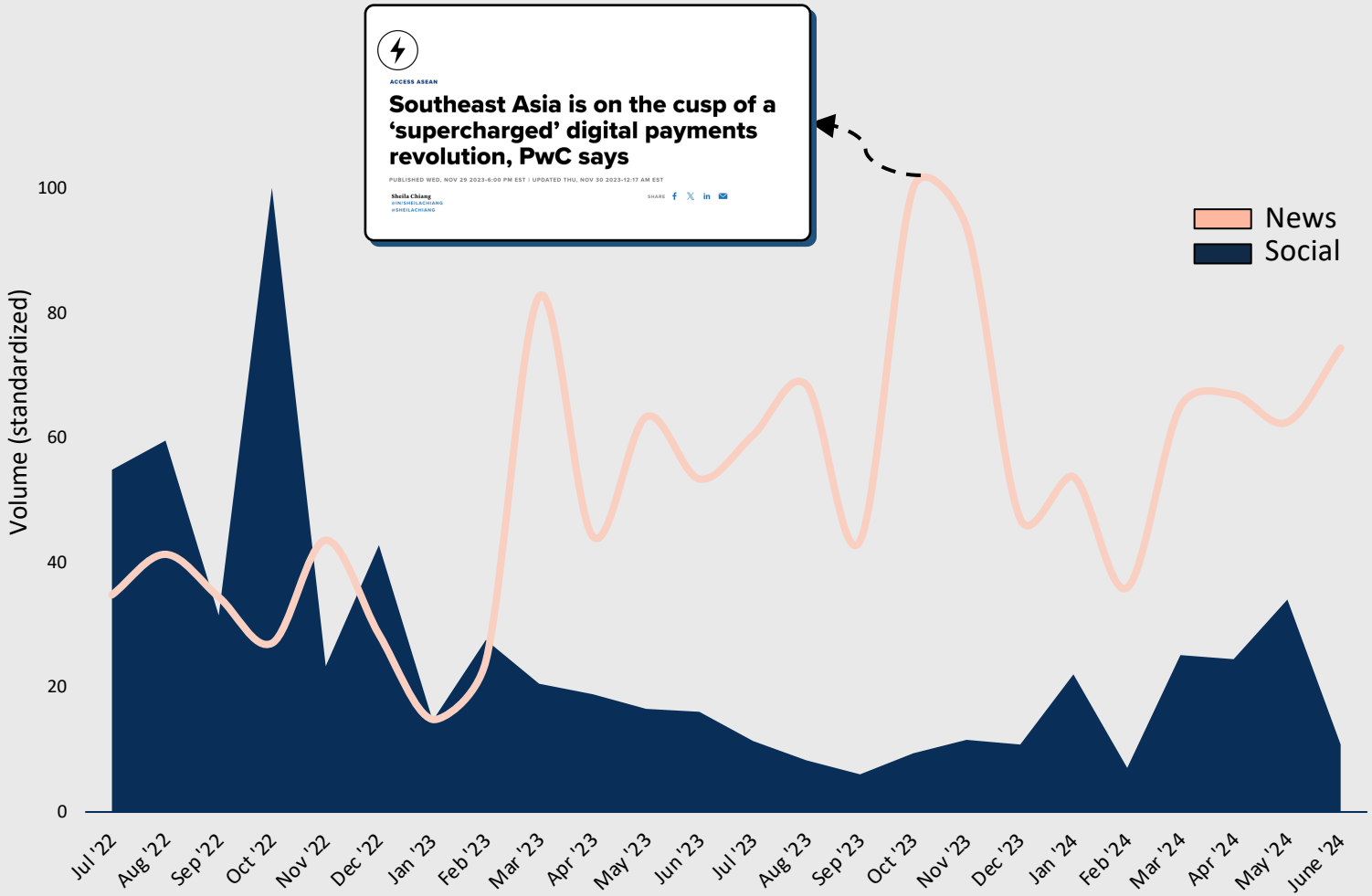
BNPL becomes increasingly newsworthy following social buzz

As we map conversations post-pandemic, we see a significant shift in spending habits with lifestyles leaning towards impulsive behaviour and the constant need for instant gratification.

With businesses shifting towards online methods of reaching out to consumers, the competition landscape has intensified with MSMEs bearing the brunt of this change and seeing significant decline in their turnover. This is the case with TikTok shop making its presence felt in the online environment in Indonesia. This leads to inequality in the business environment, a sense of threat for small businesses looking to make a mark and no rigid regulation in sight governing these buying and selling transactions.

Social and news conversations are diverging paths as times go by. This is happening with the influence of individual players on social platforms utilizing BNPL as a mode to sell tickets or merch of their favourite artist, knowing that an extensive fanbase exists waiting to hop onto this opportunity.

The focus shifts to more urgent needs. But a lot of the 'needs' that make up most of the BNPL conversation in the SEA region are actually wants and desires, overwhelmingly influenced by pop culture.



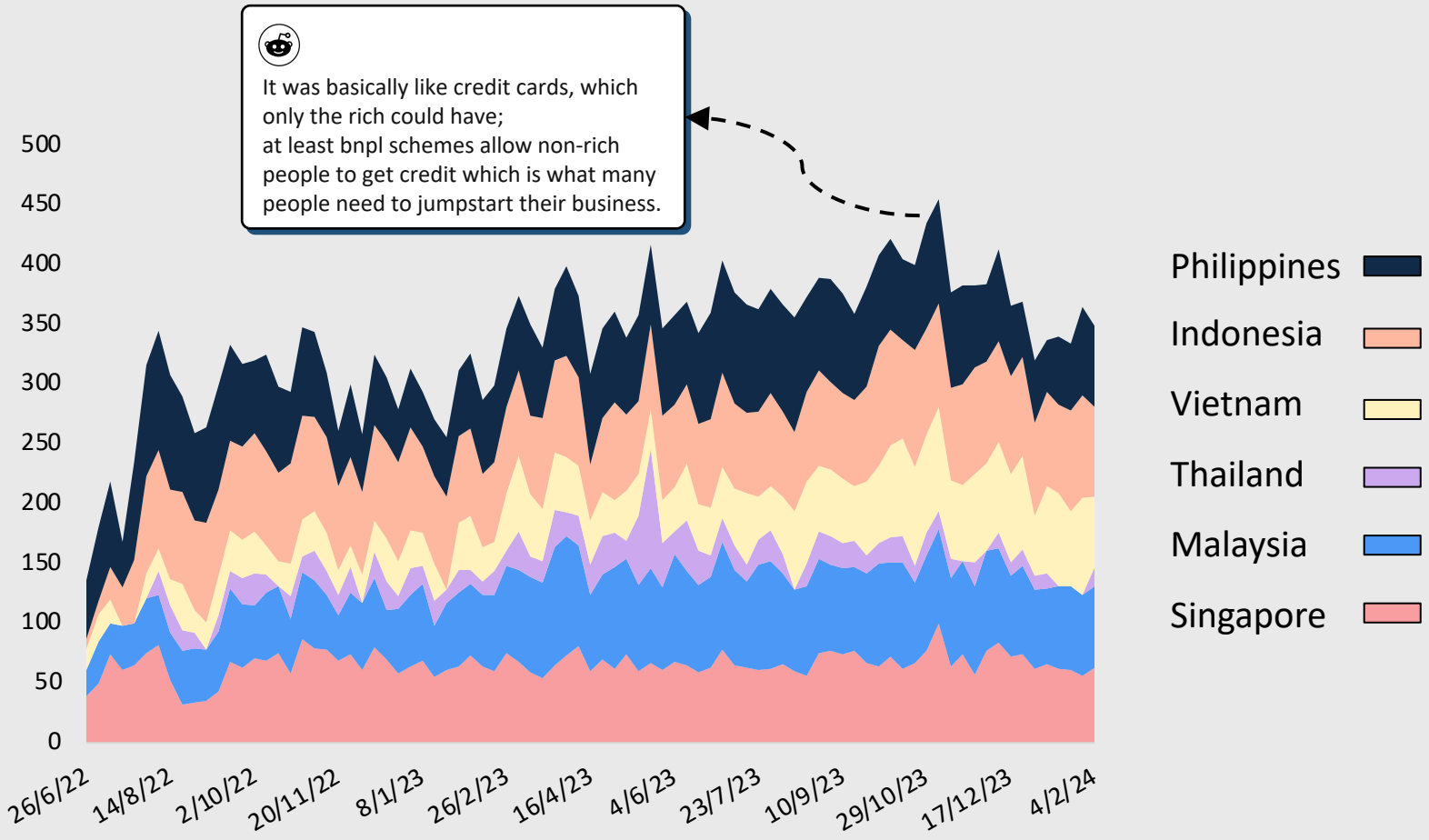
Mentions of buy now, pay later on X and online news in Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines. July 2022 - June 2024. Source: Pulsar TRENDS

BNPL shows a stabilizing search curiosity trend

With e-commerce booming and digital payment methods seeing a surge in usage, the curiosity around buy now pay later apps grew. BNPL payments methods slowly became a popular tool alongside digital wallets and credit and debit cards.

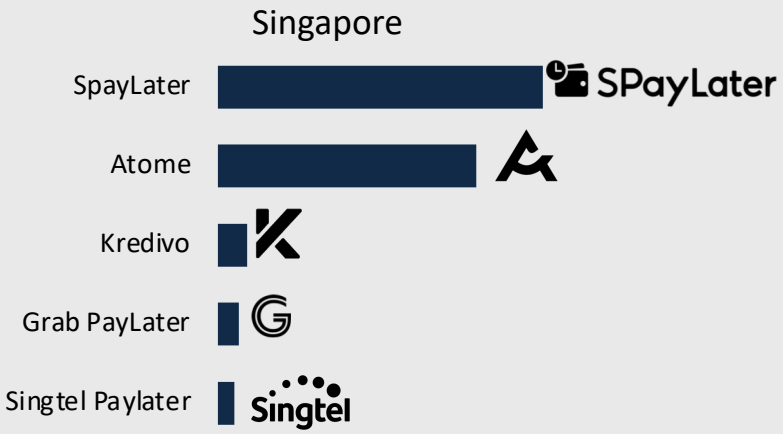
This saw a need for regulation and search interest around Singapore introducing a ‘code of conduct’ - a much needed first-step to protecting consumers from overspending. These guidelines need to be adhered to by BNPL providers as well as consumers to help keep a check on outstanding amounts and capping them. This also helps consumers to come out of the ’free-money’ mindset and have realistic expectations that this is ‘lent money’ and needs to be returned.

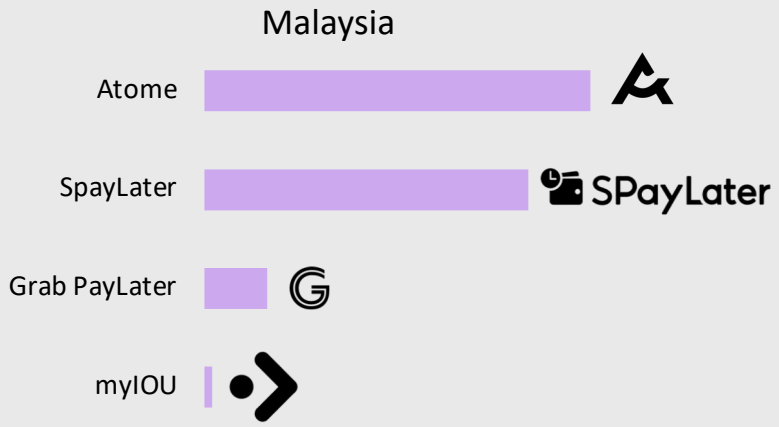
The problem also lies in how easy it is to get verified. With the majority population having mobile phones, one just needs to identify themselves through a card that allows them to be a BNPL user with no prerequisite of having a good credit score. However, with per capita income being low in Southeast Asian growing economies, the illusion of buying expensive commodities that not even a one month salary can afford, speaks volumes of how good of an appeal BNPL as a concept has.

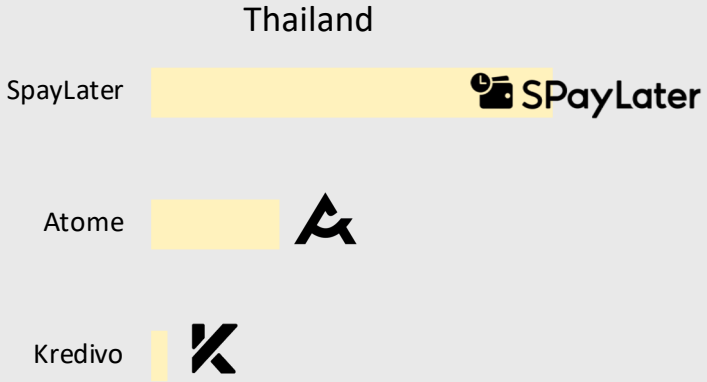


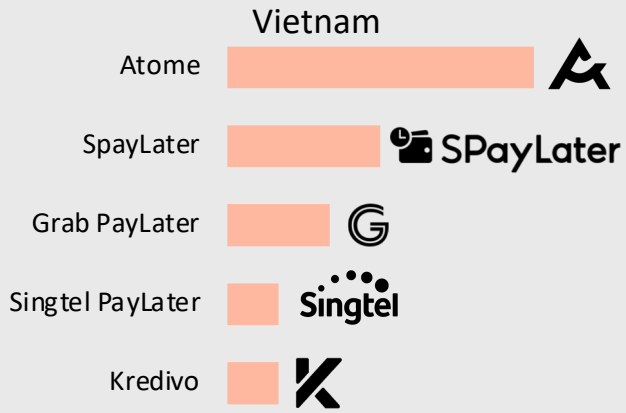
Mentions of buy now, pay later on search data via Google Trends country-wise. June 2022 – June 2024

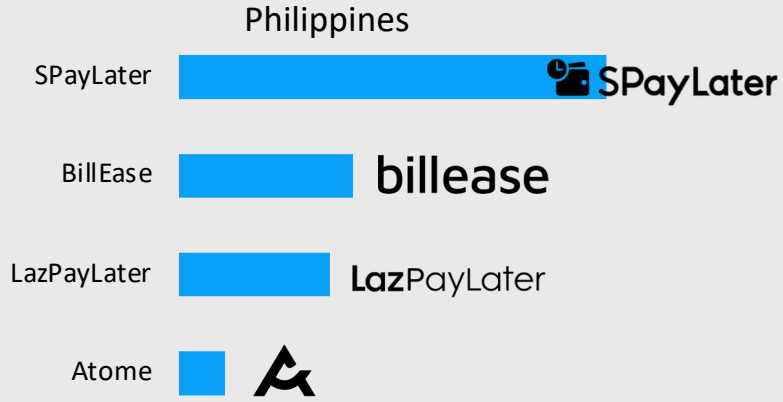
Breakdown of top providers by region











Top buy now, pay later providers in the SEA region. Jan - July 2024. Source: Pulsar TRAC

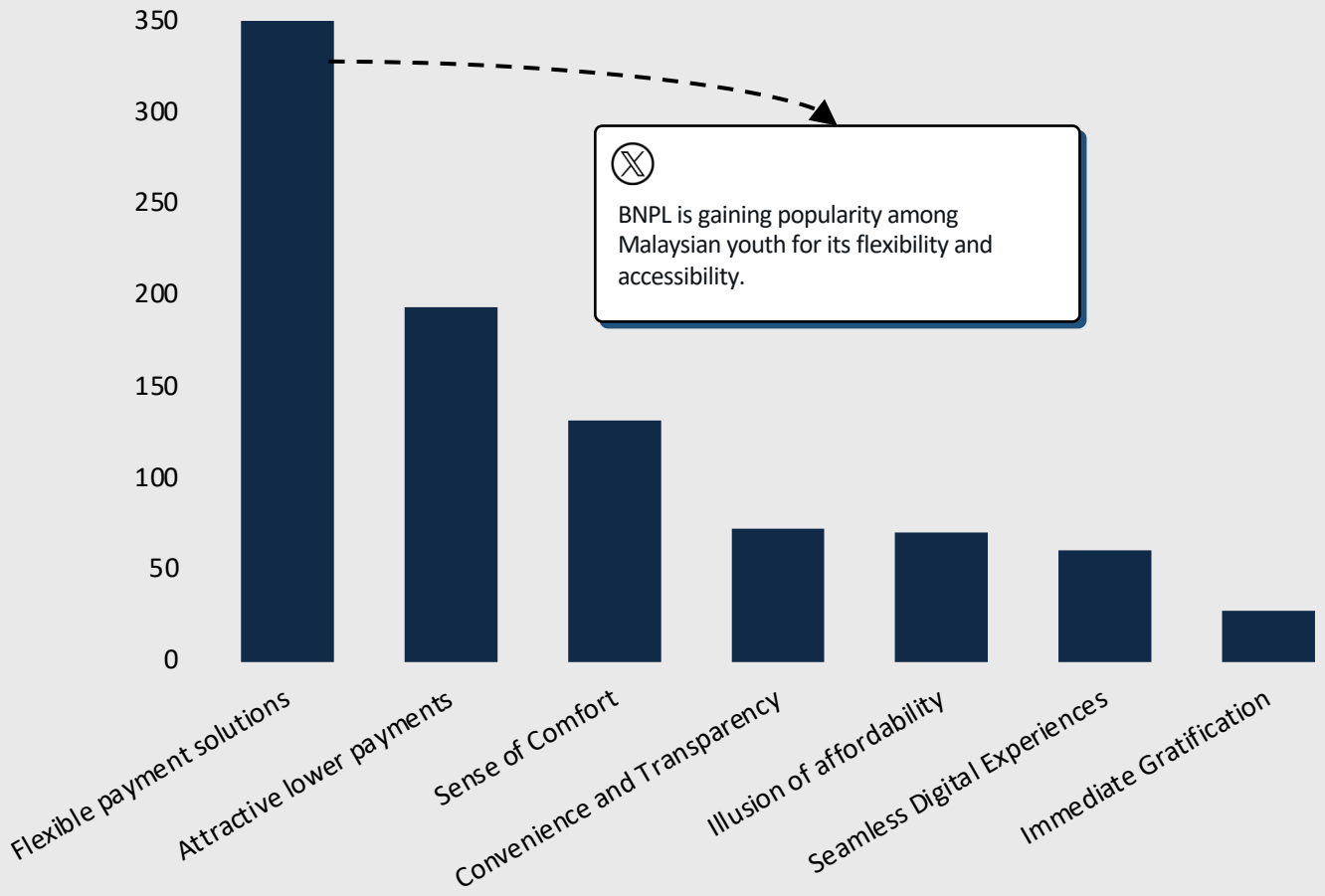
Top associations: Flexibility and attractive lower payments entice audiences

The region hosts a demographic that is impulsive with its buying needs and keeping things as flexible as possible is top priority. This includes behaviour where seeing purchase orders broken down into smaller payments feels like there's not much spending done.

Malaysia tops conversation around its young, tech-savvy, and price-sensitive consumer demographic attracted to flexible payment solutions that induces splurging behaviour. This does not especially help when BNPL platforms and affiliated brands often roll out enticing discounts and special promotions specifically for payments made. This means paying less than one would have to if the full amount has been paid for the item upfront.

The appeal to captions like "up to 80% off" or "0% instalments", especially for electronic items or dining and entertainment verticals, that usually pull in the younger audiences, results in using BNPL apps aligned to the particular shopping website. The accessibility of commodities that once required a physical shopping spree are now delivered to one's home at attractive lower fees enticing the region's population.

With a more lenient approval criteria for easy credit, the youth are using loans as a means of paying off other loans, eventually falling into a debt trap.



Top associations with BNPL in Singapore, Malaysia, Thailand, Vietnam, Indonesia and Philippines. Jan - June 2024 Source: Pulsar TRAC

Narratives dominating the conversation

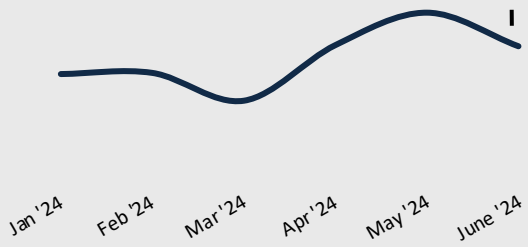
As news conversation sees an uptick in reporting around BNPL trends, the social media conversation across all platforms is more nuance, representing a timely surge around festive seasons from April – June, leveraged by appealing discounts and offers.

With regulations in place, even though not legally binding, users are sharing their problems that are surfacing as a result of using the apps, with other users providing solutions. This has led to more visibility around the topic and has facilitated users to bear in mind invisible constraints that they must adhere to.

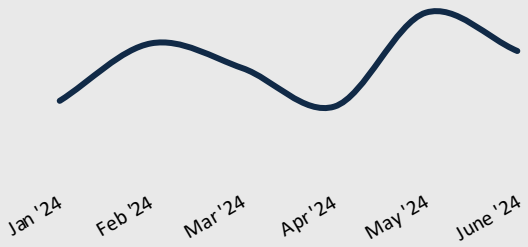
With the SEA region being an epicentre for pop bands performing and conducting tours, individual players have also popped up with words like ‘want to sell’ posted on their feeds, indicating the intent to sell merchandise and tickets using BNPL payment methods.

The government is in the process of formulating stricter regulations under the Consumer Credit Act (CCA) in response to the surging popularity of innovative credit products like Buy-Now-Pay-Later (BNPL) services.

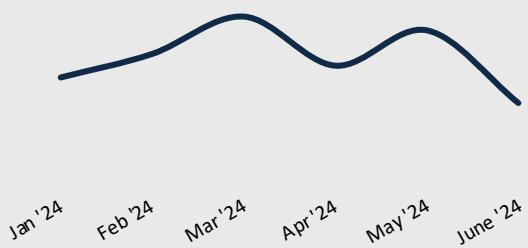
Governments should regulate BNPL



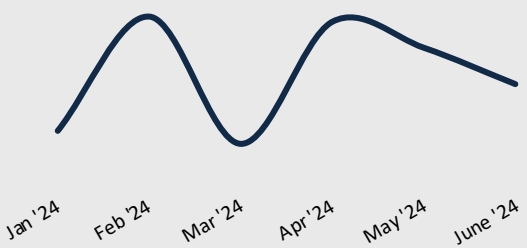
BNPL is a popular alternative to credit cards



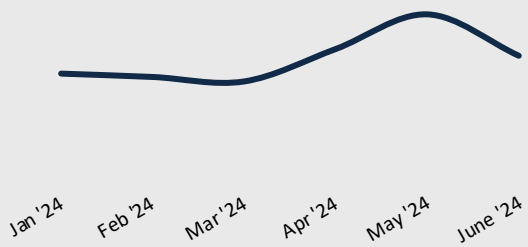
People are getting into debt to pay for essentials



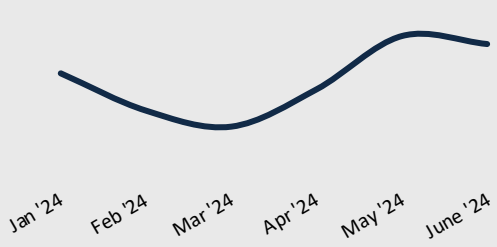
AI/Gen AI intertwined with BNPL



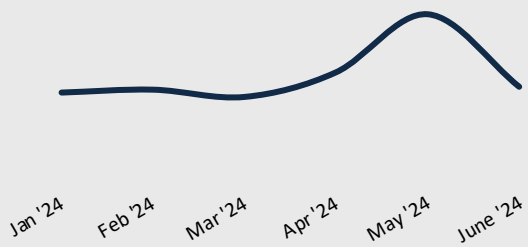
BNPL exposes people to more scams and hidden costs



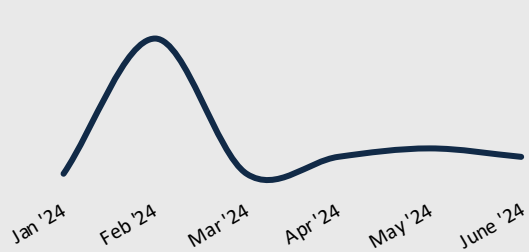
Partnering with BNPL firms to empower MSMEs/MSMBs



BNPL changing spending habits for the worse



Tickets for K-Pop concerts and "want to sell” posts for K-pop merch



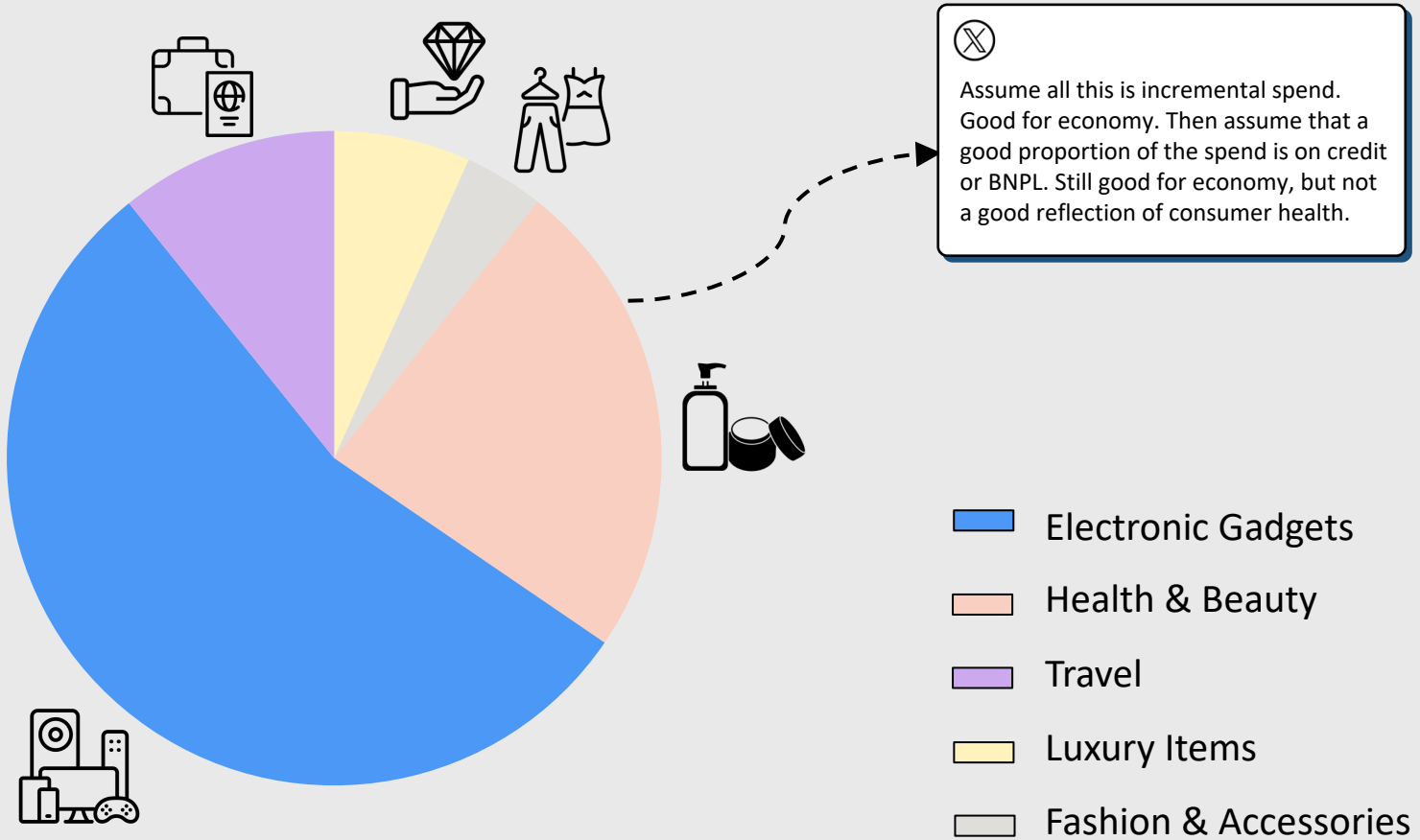
Analysis of major narratives country-wise on Facebook, Instagram, Pinterest, Reddit, TikTok, Twitch, X, Tumblr, Forums, Reviews between Jan - June 2024 Source: Pulsar TRAC

Which commodities use BNPL the most?

Electronic gadgets hold a majority where BNPL modes of payments come into play. This is partly due to technology manufacturers dominating the East Asian and Southeast Asian subcontinent. The younger demographic, as a result, ends up miscalculating budgets when buying these commodities.

However, it's important to note that a significant portion of the population also uses BNPL as a way of budget planning and managing finances. This ties to the frequency of app utilizations and mindful identification of which commodities need to use BNPL, otherwise relying on future funds.

Some retailers affiliated with BNPL apps promote their products by highlighting 0% interest. This is maintained in part by brands like Xiaomi promoting their products through SPayLater. With travel returning to its usual buzz that was pre-pandemic, apps like Traveloka PayLater offer transparent prices to an underbanked population with no hidden or added fees, giving them access to easy travel.



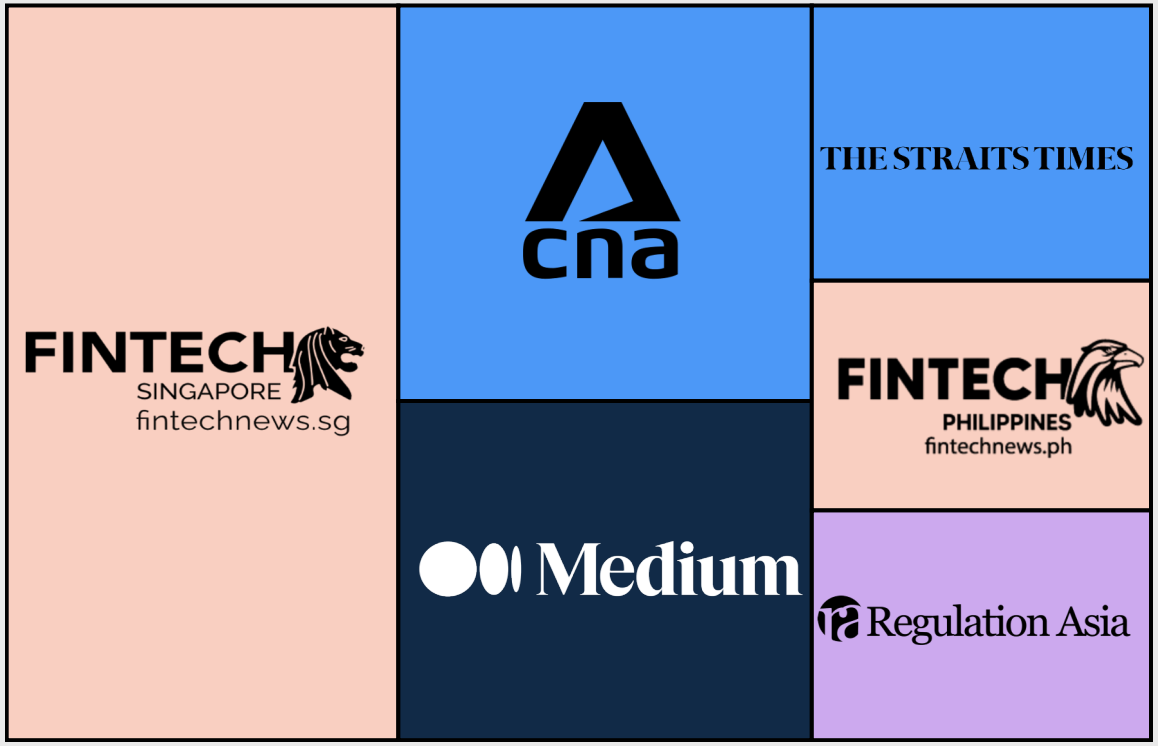
Breakdown of major essentials that use BNPL as the mode of payment in the SEA region. July 2023 - Aug 2024 Source: Pulsar TRAC

Which news outlets are driving conversation?

News outlets like Fintech Singapore running the BNPL conversation highlights important collaborations like Atome SG becoming the payment option for e-commerce websites like Taobao Singapore.

As the BNPL industry is no longer in its nascent stage, outlets like Regulations Asia report about the Trustmark accreditation given to four BNPL providers in Singapore, indicating a service provider's commitment to responsible lending and compliance with the BNPL Code of Conduct.

Conversely, the industry also hints towards uncertain future with certain apps like ShopBack terminating its PayLater services in Singapore and Malaysia due to acquisitions and investors pulling back. There are even articles outrigh, predicting the decline of these payment methods due to other regulatory concerns and the business model ultimately relying on impulsive purchasing.



"BNPL" is good for the finance company simply because of missing regulatory oversight. It's good for the consumer because…no loan oversight. Shrug.
But of a ridiculousness except for the capital funded discounts

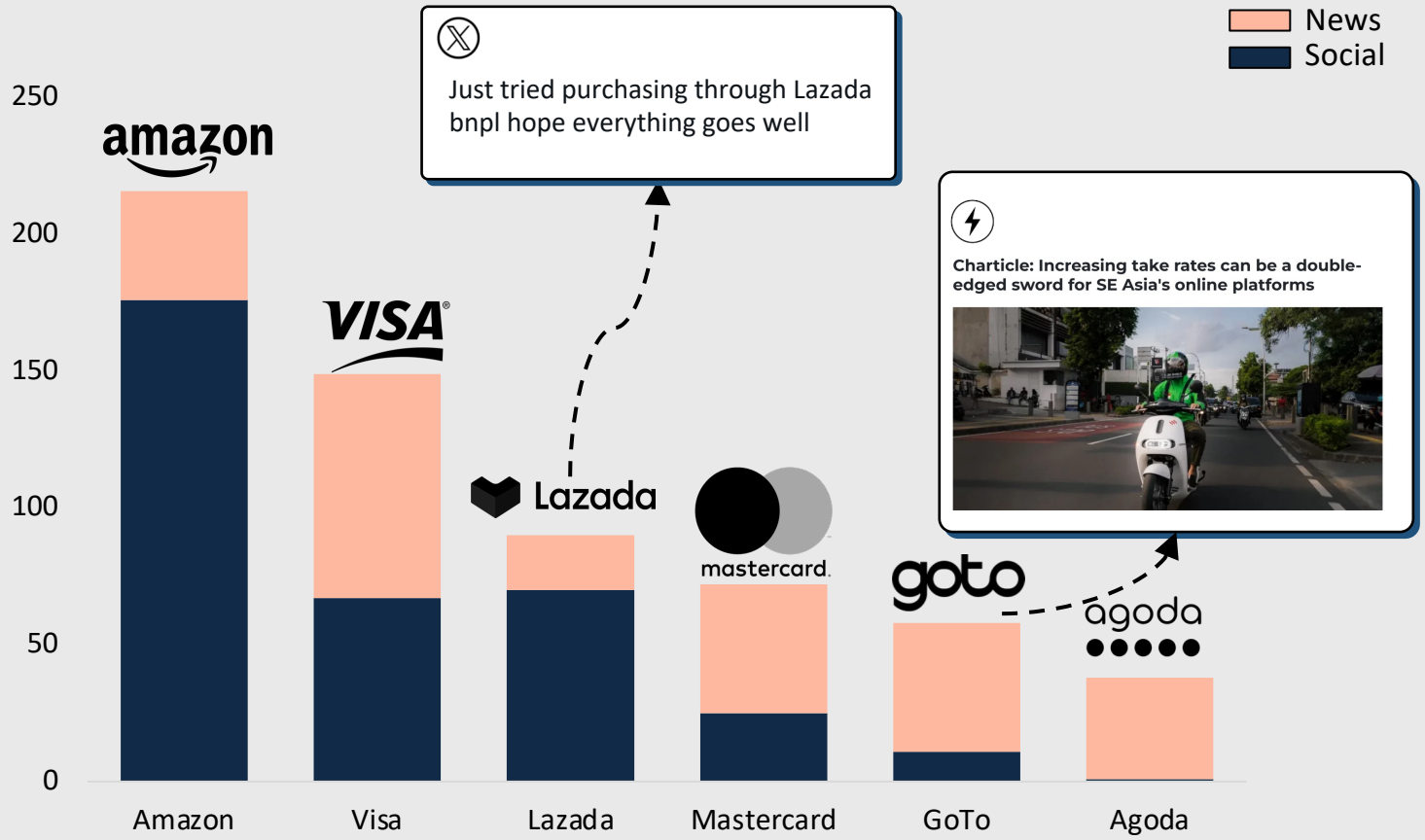
The most shared media by volume in the BNPL conversation between Jan 2024 – July 2024. Source: Pulsar TRAC

Brand spotlight: Major influence of e-commerce and finance brands

Media highlight retail and financial apps riding on the collaboration trend of partnering with BNPL apps. GoTo, a software tech company, and the largest digital ecosystem in Indonesia, and TikTok, became strategic partners in driving long term growth for Indonesia's MSME sector and the country's digital economy as a whole.

Audiences are however also sceptical of the regulations put in place. In Malaysia, the government will be overseeing compliance of regulations and practices of credit provision. Consequentially, users are questioning the time consumption in the bureaucracy of this process. Brands like Shopee and Lazada have cashed in on this a long time ago leaving online shoppers gullible.

The SEA region is also seeing 'take rates' increase, fees charged by third-party platforms to merchants for using their platform. They're double-edged swords for e-commerce platforms, but for fintech firms, the focus is now shifting to high-margin lending businesses like Buy Now Pay Later (BNPL).



The leading brands in the BNPL topic as discussed across social: Facebook, Instagram, Reddit, TikTok, X, Twitch, YouTube, Reviews, Tumblr, Forums vs Online news. Jan 2024 - June 2024 Source: Pulsar TRAC

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